Chapter- 8

Assessment of Finances of Urban Local Bodies

8.1 Before enactment of the 74th Constitutional Amendment Act, every states in the country had their own urban local bodies in different forms set up under their respective municipal acts. Assam had its own municipal act way back in the colonial days viz. the Assam Municipal Act, 1923. Long after independence the said act was replaced by the Assam Municipal Act, 1956 which as amended following the 74th amendment of the Constitution and again in 2011 is currently in force. But until the enactment of the 74th Constitution Amendment Act, the ULBs had no constitutional sanction behind them and very often these bodies were run on adhoc basis leading to frequent suspension and termination of the elected bodies. It is the 74th Amendment which for the first time accorded constitutional status to the ULBs and recognised them as the third tier of government.

8.2 Art 243 Q in Part IX A of the Constitution as inserted under the 74th Amendment Act provided for setting up of three distinct categories of ULBs in every State:

(a) a Nagar Panchayat (by whatever name called) for a transitional area, that is to say, an area in transition from a rural area to an urban area,
(b) a Municipal Council for a smaller urban area, and
(c) a Municipal Corporation for a larger urban area.

In keeping with the above constitutional mandate, Assam has three categories of ULBs viz.

(a) a Town Committee (TC) for a transitional or emerging urban area,
(b) a Municipal Board (MB) for a comparatively smaller urban area; and
(c) a Municipal Corporation for a larger urban area.

8.3 As of now, there are 89 ULBs in Assam consisting of one Municipal Corporation ie, Guwahati Municipal Corporation (GMC), 32 MBs and 56 TCs. Out of these 72 ULBs consisting of 1 MC, 31 MBs and 40 TCs are within the General Areas the remaining 17 ie, 1MB and 16 TCs fall within the jurisdiction of Schedule VI areas which are excluded from the purview of State Finance Commission (SFC). The list of ULBs falling within the jurisdiction of General Areas is at Annexure- 8.1

8.4 As per 2001 census report, Assam was lagging behind the rest of the country in the matter of urbanisation with only 12.90 percent of the population living in urban areas compared to approximately 28 per cent for the country as a whole. In the preceding decade Assam's rate of urbanisation was 11.1 per cent against the all India figure of 26.13 per cent. However, in the last two decades, the decadal rate of growth of urban population in the State has been much faster than that of the country. As a result, the urban civic bodies are required to serve a large number of urban population and to tackle problems of higher magnitude.

8.5 The total urban area of the State is 961.77 Sq/ km which accounts for 1.23 per cent of State's total geographical area of 78438 Sq/km. However, the urban area net off Schedule VI areas is 672.97 Sq/km representing 0.88 per cent of States total geographical area. Out of this, MBs and TCs together cover an area of 456.18 Sq/km and GMC covers 216.79 Sq/km.

8.6 For the purpose of assessment of municipal finances, the MBs and TCs can be grouped under a single category as their duties, responsibilities and sources of revenue are similar. Moreover, they are also governed by the provision of the same set of Act and Rules. They are also under the administrative control of the same department of government ie, Urban Development Department (UDD) and administered through the Directorate of Municipal Administration. The only difference between them is that each MB is composed of not less than 10 but not more than 30 elected members. While each TC is composed of not less than 4 but not more than 10 elected members. The second category is represented by the Municipal Corporation ie, GMC which is governed by the provisions of the Gauhati Municipal Corporation Act, 1971 and it is under the direct administrative control of Guwahati Development Department (GDD) of Government of Assam.

A. (a) Revenue of MBs and TCs

(i) Tax Revenue

8.7 The MBs and TCs are empowered by the relevant provisions of the Assam Municipal Act, 1956 to levy and collect taxes, fees and tolls, or any of them, within their respective jurisdiction. The list of taxes, fees and tolls leviable by the MBs/TCs is at Annexure- 8.2

8.8 The principal source of tax revenue of the ULBs is the holding tax which is popularly known as house tax. The holding tax is an integrated system of taxation under which many other charges like water tax, lighting tax, latrine tax and urban immovable properly tax are simultaneously collected. By and large, the levies listed against items (a) to (f) at Annexure 8.2 fall within the category of tax revenue. All other levies in the nature of fees, tolls, fines and penalties listed in the annexure may be categorised as non-tax revenue. However, segregated figures of collection from tax and non-tax measures are usually not available as the civic bodies do not maintain separate data head-wise and very often club them together.

8.9 The basis of holding tax as well as other charges collected along with it, is the annual value of holding. A holding means a well demarcated plot of land held under one title or agreement. The annual value of a holding is determined on the basis of gross annual rent expected from letting out the holding. Where the holding is not let out, the annual value is determined by comparison with the annual value of let out holdings in the neighbourhood. Once the annual value is determined the rates of house tax and other ancillary charges are fixed as a certain percentage of the annual value.

8.10 The assessment of holding tax and other ancillary charges collected along with it is done once in every five years. An assessor is appointed by the respective MBs/TCs under section 86 of the Assam Municipal Act with the approval of the government for assessment/reassessment of the annual value of holdings and fixation of local taxes. On demand by the assessor, the owners submit returns of rent on annual value of holdings with description of holdings with in 15 days. These returns are verified on the spot by the assessor following which he prepares a valuation list under section 76 of the Assam Municipal Act determining the annual value equal to the amount of rent expected from letting out the holding. The rent so determined is regulated by the Assam Urban Rent Control Act, 1972. In terms of the said Act "Standard Rent" in relation to any house refers to the annual payment calculated at 7.5 per cent of the aggregate amount of the estimated cost of construction and the market price of land including local taxes. And the monthly rent is calculated at one twelfth of the annual amount. In case of holding having a house used as residence by the owner, the annual value will be less by 25 per cent then the annual value fixed on letting basis under section 79 (2) of the Assam Municipal Act. Whereas under section 79 (3), the annual value shall not exceed 6 per cent of the estimated cost of erection provided the building is vested in government.

8.11 After preparation of the valuation list by the assessor, the rates of taxes as a certain percentage of annual value of holdings are fixed by the respective MBs/TCs under section 80 of the Act. Following fixation of rate an Assessment Register is prepared under section 81. Thereafter, the valuation list and the assessment register are published by the respective MBs/TCs under section 94. The process is thus completed and the ULBs do not have to seek any further approval from the State Government for implementation of the same.

8.12 Given the above statutory provisions, the performance of ULBs in general in the matter of collection of their own tax revenue does not seem to be satisfactory. The yawning gap between annual demand and actual collection bears ample testimony to their under performance. For instance, the actual collection of tax revenue as reported by the ULBs in 2006-07 was Rs 1229 lakhs against the annual demand of Rs 2659 lakhs representing barely 46 per cent of total demand. That it is not an aberration is evident from the development of subsequent two years. In 2007-08, the demand – collection ratio was 45 per cent and it further plummeted to 34 per cent in 2008-09. That the ULBs in general have failed to exploit the full potential of their own sources of tax revenue is apparent from this yawning gap between demand and collection. It is also indicative of the fact that huge amount of revenues are getting stucked up as arrears from year to year without any sustained effort to realise them.

8.13 Apart from the mis-match between demand and collection, municipal revenue suffer greatly due to the recalcitrant attitude of the civic bodies to comply with legal provisions. Holding tax and other ancillary levies collected along with it is the main source of municipal revenue. There is a legal provision for quinquennial revision of holding tax. But in reality scanty regard seems to have been paid to comply with this important provision.

8.14 In reply to our query the Directorate of Municipal Administration submitted a list showing the position of reassessment of holding tax in respect of 22 urban civic bodies. Out of these 22 civic bodies, only 3 have completed the process of reassessment during the first decade of this century while reassessment is over due in respect of the remaining 19 bodies. Strangely enough in some cases no assessment is made after 1975 and 1982. This is one of the most important factors why municipal revenue has been stagnating over the years.

8.15 The system of integrated collection of holding tax under which various other levies like water tax, lighting tax, latrine tax and urban immovable property tax are collected along with it has many advantages over a single point tax. Since number of levies are collected together it is administratively more convenient and economic and it ensures better compliance. The only drawback seams to be that under-valuation of property might result in loss of revenue from the yield of those subsidiary levies which are imposed as a percentage of the holding tax. It may not be feasible to revise the rates of such levies independent of the revision of holding tax. However, this dismal situation can be reversed if the periodicity of revision of holding tax as per statutory provision is strictly enforced.

(ii) Non-tax Revenue

8.16 By and large, the urban civic bodies collect non-tax revenue from trade licence fees, fees from markets, parks, parking lots, slow moving vehicles, fines and penaltics etc. Broadly speaking all the levies listed against items (g) to (n) at Annexure- 8.2 fall within the category of non-tax revenue. However, for a realistic analysis of item-wise performance relevant data regarding number of registered trades, annual turn over, registered number of vehicles, parking slots etc are not available. In response to our questionnaire, the aggregate actual collection of tax and non-tax revenue as reported by the grass root level civic bodies, other than those in the excluded areas, for the years 2008-09 is summarised in Table-1 below.

Table- 1
Summary of Tax Collection by MBs/TCs during 2008-09

Item	Amount (Rs Lakhs)
A. Tax Revenue	
(i) House tax	565.03
(ii) Water tax	95.84
(iii) Latrine tax	120.98
(iv) Lighting tax	158.97
(v) Market tax	125.40
(vi) Urban Immovable Property Tax	184.80
(vii) Others	79.13
Total – A	**1330.15**
B. Non-Tax Revenue	
(i) Trade Licence Fees	244.43
(ii) Market Fees	846.71
(iii) Slow Moving Vehicles	35.80

(iv) Sale of water	77.10
(v) Parking Fees	139.37
(vi) Fines & Penalties	17.57
(vii) Others	485.92
Total – B	**1846.90**
Grand Total (A+B)	**3177.05**

8.17 The foregoing table indicates that collection of municipal revenue both tax and non-tax by the ULBs, other than GMC and those falling within the jurisdiction of excluded areas, was Rs.31.77 crore in 2008-09. In per capita terms, the collection of municipal revenue is only Rs.167 against per capita collection of Rs.380 by GMC and Rs.1557 by the Government of Assam. The actual collection represents 0.04 per cent of GSDP which is unduly low compared to the widely accepted norm of 3 percent. As already pointed out this dismal situation is the outcome of a wide disparity between demand and collection. More importantly where the demand is low pitched as timely revision is not being done as per existing legal provisions. The inevitable fall out is that every year a large chunk of revenue is invariably passed on to arrears. There is thus a wide scope of enhancing revenue by the MBs/TCs within the existing framework even without widening the existing tax regime.

8.18 Based on the actual collection of 2008-09, the forecast for 2011-12 to 2015-16 for the MBs/TCs category-wise and individual unit-wise has been prepared and placed at Annexure- 8.3. For the purpose of projection an annual growth of 7 per cent for tax and non-tax revenue has been assumed over the actual of 2008-09. The annual growth assumed for the purpose of projection is rather conservative compared to the growth rates of Central and State taxes since the base and buoyancy of local taxes are narrow.

(b) Revenue of Gauhati Municipal Corporation

8.19 Gauhati Municipal Corporation, the only premier civic body in entire north-east was established under the Gauhati Municipal Corporation Act, 1971, and it became functional from 15th February, 1974. The total population covered by GMC area as per 2001 census is 809895 of which 440,288 is male and 3,69,607 female. The population of Guwahati was a meagre 11661 in 1901 and it rose to 8,09895 in 2001 registering an increase of nearly seventy times over a period of 100 years. This exponential growth of population had been remarkably rapid during the decade immediately after independence. For instance, 1951 census recorded the population of Guwahati at 43,615 which snowballed to 1,00,707 during the 1961 census recording a decadal growth of about 131 per cent. However, the decadal growth rate in 1991-2001 was 38.28 per cent. This phenomenal growth in population of Guwahati city indicates the burgeoning responsibilities of civic authority to meet the basic needs of the citizen.

(i) Tax Revenue

8.20 The GMC is authorised by the relevant provisions of the Gauhati Municipal Corporation Act. 1971 to levy and collect taxes and duties listed at Annexure- 8.4.

8.21 By and large, internal revenue generation of GMC depends on a sustained effort to levy and collect the taxes, duties, tolls and fees allocated to it by the provisions of the relevant Act. In this context it may be recalled that vehicle entry fees and parking fees on commercial vehicles had once been the main source of revenue of GMC. They used to collect it through a network of check posts and the yield from it constituted nearly half of GMC's internal revenue. But GMC had been deprived of its most potential source of revenue since the Government of Assam had abolished these check posts way back in March, 2003. In recognition of this huge loss the second SFC had recommended an annual compensatory grant-in-aid to partially compensate this loss. This recommendation of 2nd SFC was not accepted by the Government. However, the TASFC did not recommend any such compensatory grant-in-aid as the generous devolution recommended by them was supposed to give GMC enough leverage to tackle its finances.

(a) Taxes on Buildings and Land

8.22 Now that check posts are no longer there, property tax is the most potent source of revenue of GMC. There are four components of property tax viz. (i) general property tax, (ii) water tax, (iii) scavenging tax and (iv) lighting tax. Apart from this, Urban Immovable Property Tax is also collected along with it. All these levies may be categorised as tax revenue. As per section 150 of the GMC Act, the basis of property tax is the Annual Rateable Value (ARV). ARV is the annual rent at which such property can reasonably expected to be let out. It is equal to 7.5 per cent of the total value of land and cost of construction of the buildings. Deduction of 10 per cent of ARV is allowed for annual repair and maintenance in respect of all categories and types of buildings. Rebate of 25 per cent of ARV is allowed if the building is exclusively used for residential purpose. The land area not covered by the plinth area of the house is deemed as vacant land. In order to determine the total ARV, 5 per cent of the land value of vacant land is added to the ARV of the plinth area.

8.23 Once the ARV is determined, general property tax constitutes 15 percent annually on ARV if the property is used for commercial purpose or rented for residence. It is 10 percent annually on ARV if the property is used for residential purpose. Water tax is levied at 10 percent annually on ARV if the property is connected with piped water supply scheme otherwise 7.5 percent. Scavenging tax is levied at 2.5 percent annually on ARV, lighting tax is 1 percent annually on ARV and it is realised for electrification of the city. Urban Immovable Property Tax constitutes 3 percent of ARV per annum. Property tax demand is made on a quarterly basis other than Urban Immovable Property Tax which is collected once in a year.

8.24 As far taxation of Central and State Governments property is concerned, Articles 285 and 289 of the Constitution prevent the local bodies to impose property tax. In this regard the Eleventh Finance Commission recommended levy of service charges on Central Government properties. But in view of a ruling of the Hon'ble Supreme Court this option has also become untenable. This necessitates amendment of the relevant Articles of the Constitution. However, the constitutional restriction does not extend to properties of Central and State Governments undertakings. The GMC and other ULBs may levy property tax and other service charges on these properties to augment their own resources.

8.25 In the matter of property tax reform, the Second SFC of Assam recommended replacement of the existing ARV method by the Unit Area Method (UAM). Under the UAM, the basic tax is related to plinth/carpet area of the building. Location, type and uses to which buildings are put constitute the three basic para-meters of UAM. Location wise, buildings may be classified into (i) buildings on principal main road, (ii) buildings on main road and (iii) buildings on other roads. The types of buildings may be (i) pacca buildings with RCC roof, (ii) pucca buildings with asbestos or corrugated sheets and (iii) other buildings. The uses of buildings may be classified as (i) commercial or industrial, (ii) residential and (iii) others. The three parameters of location, type and use form the cornerstone on the basics of which a reasonable tax rate per square foot is determined. Under this method the disparity in assessment of similar types of property is eliminated. It is also easily amenable to periodic revision. The TASFC also reiterated the recommendation of Second SFC regarding adoption of the UAM. It is obvious that the process of changeover to a new system is likely to take a long time, nonetheless this Commission would like to reiterate the recommendations of earlier two SFCs.

8.26 Based on the above procedure of assessment and the limitations noted above, the yield from property tax in 2008-09 as reported by GMC is Rs.1764 lakhs. It constitutes nearly 57 percent of their own revenue collection of Rs.3078 lakhs in that year. The actual collection pitted against the demand for the year is only 81 percent. However, in per capita terms the collection has increased from Rs.135 in 2005-06 to Rs.218 in 2008-09. It seems to be encouraging compared to Rs.25 per capita for the Patna Municipal Corporation. However, it appears to be very humble looking at the performance of Mumbai Municipal Corporation which registered a per capita annual revenue collection of Rs.1334.

8.27 In the performance profile of property tax the major shortcomings appears to be absence of a formal count of properties, the low ratio of assessed properties to the universe of all properties and the low collection to demand ratio. The all-India collection of property tax as emerged from a survey conducted of 36 sampled municipal Corporations is only 0.24 per cent of the country's Gross Domestic Product (GDP). This is well below the developing country's average of 0.60 per cent and far below the developed country's average of 2.1 per cent. In contrast the GMC's collection of property tax is a meagre 0.02 per cent of Gross State Domestic Product (GSDP). As observed by the thirteenth Finance Commission there is tremendous scope for improvement in revenue from property tax even without increasing rate and without any structural alteration of the basis of the levy provided the coverage level is stepped up to 85 per cent and collection ratio is raised to 85 percent of the annual demand.

8.28 In the matter of property tax administration GMC is also handicapped by some other considerations. At present GMC and Guwahati Metropolitan Development Authority (GMDA) are having concurrent powers in respect of granting building permission. The duality of authority has not only encouraged evasion of property tax but leads to violation of the Master Plan. The Second and the Third SFC recommended abolition of the dual authority by making GMC the sole authority for issuing building permission. But this vital recommendation has so far not been implemented. This Commission reiterates the recommendation of the earlier SFCs.

8.29 The undervaluation of urban land is another factor that adversely impacted the yield from property tax. GOA should fix the price of urban land realistically so that it conforms to the prevailing market price. This followed by a periodic revision of property tax, say after every five years, will substantially enhance the revenue collection of GMC.

(b) Taxes on Non-motorised Vehicles

8.30 Under Section 167 of the Gauhati Municipal Corporation Act, GMC is authorised to levy taxes on vehicles, boats and animals at rates specified in the First Schedule of the Act. It includes two or four wheeled vehicles drawn by horses, ponies, mules, donkeys, bullocks or buffaloes and also such vehicles drawn otherwise than animals; cycle rickshaws; bicycle, motor boat or steam launch plying for hire and country boat. The actual collection during 2008-09 is reported at Rs.11.88 lakhs. This is unduly low compared to the actual collection of Rs. 31.68 lakhs during 2005-06 as reported to TASFC. It is untenable to accept such a low figure as the base for the purpose of projection. The Commission is therefore inclined to adopt the figure of Rs.42 lakhs as the base for 2008-09 as estimated by TASFC.

(C) Taxes on Advertisements and Hoardings

8.31 GMC is authorised under Section 173 of the Act to impose a tax on advertisement other than advertisements published in the newspapers. The items of taxes and the maximum amount of tax per year is specified in the third Schedule of the Act. It includes non-illuminated/illuminated advertisements on land, buildings, walls, hoardings, frames, posts, structures etc, non-illuminated/illuminated advertisements carried on vehicles drown by bullocks, horses or other animals, human beings, cycles or any other device, vehicles or tram cars. Advertisements exhibited on screens in cinema houses and any other public places by means of lantern slides or similar device. Non illuminated advertisements suspended across streets. And non illuminated advertisements hoarding standing blank but bearing the name of the advertiser. The corporation has revised the rates of advertisements effective from FY 2008-09. The actual collection as per revised rate during the year 2008-09 is reported at 126.82 lakhs.

(d) Pilgrim Tax:-

8.32 The annual yield from this item is insignifica nt. Moreover, GMC do not maintain separate collection figure for all the items.

(e) Entertainment Tax:-

8.33 Entertainment tax is collected by the Government of Assam and forms part of the consolidated fund of the State.

(f) Any Other Tax:-

(g) Unrealised Revenue:-

8.34 Unrealised revenue accrue mainly under the head property tax due to wide disparity between annual demand and collection. For instance, GMC collected Rs.17.64 crore against the demand of Rs. 21.74 crore in 2008-09. Thus in a single year Rs.4.10 crore remained as unrealised revenue. In this regard the position of other ULBs seems to be worse. In 2008-09 the aggregate collection of other ULBs was Rs. 13.30 crore against the annual demand of Rs.39.04 crore leaving Rs.25.74 crore as unrealised revenue in a single year. The cumulative position i s not readily available. However, the position available from 2005-06 to 2008-09 is i ndicated in Table- 2 below.

Table- 2
Unrealised Revenue of ULBs

GMC (Rs. Crore)

Year	Demand	Collection	% of Collection	Arrear
2005-06	23.78	10.93	46	12.85
2006-07	15.07	11.01	73	4.06
2007-08	16.88	13.33	79	3.55
2008-09	21.74	17.64	81	4.10

Other ULBs (Rs. Crore)

Year	Demand	Collection	% of Collection	Arrear
2005-06	32.21	10.16	32	22.05
2006-07	26.59	12.29	46	14.30
2007-08	26.75	12.19	45	14.56
2008-09	39.04	13.30	34	25.74

(II) Non Tax Revenue

(a) User Charges.
Water Supply

8.35 GMC provides roughly 47.5 million liters of wa ter daily to the habitats covered under its piped water supply scheme. It has a total stora ge capacity of 18 reservoir tanks of which two are over-head tanks having a capacity of 5 lakhs liters and the remaining 16 are ground level reservoirs with a total capacity of 142 lakh liters. The number of residential house connection is 26750 out of which 1750 are metered. Apart from the residential connection there are 10 commercial connections. As of now the habitats not covered by piped water supply scheme is 60 per cent. Apart from piped scheme GMC, on demand, supply water to the door step of the consumers through truck mounted water tanks. For this purpose the Corporation has one truck mounted water tank of the capacity of 10,000 lt, six with a capacity of 6000 lt, four of 3000 lt and three of 2000 lt. The corporation collected Rs. 76.60 lakhs from sale of water during 2008-09.

(b) Fees

Trade License Fees

8.36 Under section 180 of the Act, any person who exercises or carries in the city, either by himself or by an agent or representative, any of the professions, trades or callings indicated in the Fourth Schedule of the Act shall have to take out a trade licence annually on payment of fees as mentioned in that Schedule. It is reported that the last revision of rates of trade licence fees was done in FY 2008-09. The actual collection reported for that year is Rs.415.35 lakh. It appears to be unduly low compared to the actual collection of Rs.671.73 lakh during 2005-06 as reported to TASFC. In view of the impressive expansive of trade and commerce during these years there is apparently no reason for this heavy down slide. It would therefore be appropriate to assume the actual of 2008-09 at Rs.894 lakhs as estimate by the TASFC. With the emergence of numerous eateries, malls, shopping centres and department stores housing different kinds of trade hither to unknown in the city, it is time for GMC to amend the Forth-Schedule incorporating such new trades.

Market Fees

8.37 Broadly speaking there are three types of markets under GMC. These are private markets and markets owned by the Corporation in the category of lease markets and rent markets. As per Section 314 of the Act, the owner of a private market has to obtain a licence from GMC on payment of such annual fee as may be fixed by the corporation. While under Section 315 its own market is settled either by levy of stall-age, rents and fees or by public action allowing the privilege of occupying or using any stall etc. for such period as may be specified. Alternately, any municipal market may be settled either by auction or by tender for a period of one year. At present there are 12 markets owned by GMC apart from 7 private markets, controlled by it. The rates of stall-age, rent and fee were last revised by GMC during March 2008. The actual collection of market fees as reported for the year 2008-09 is Rs.218.38 lakhs.

8.38 It is pertinent to mention that unauthorised markets have been coming up in every nook and corner of the city. This has not only deprived GMC of its legitimate revenue but also created a lot of public inconvenience. Apart from imposing fines on unauthorised Vendors, GMC may create additional market spaces to accommodate such unauthorised Vendors.

Parking Fees

8.39 GMC may with prior approval of GOA levy parking fees on vehicles parked within the municipal area. At present there are 78 parking slots within the jurisdiction of GMC. These parking places are leased out annually by inviting sealed tenders. The yield from parking fees in 2008-09 is reported at Rs.67.20 lakhs.

8.40 The actual collection of Tax and non-tax revenue as reported by GMC for the year 2008-09 is summarised in Table- 3 below.

Table- 3
Summary of Tax Collection by GMC during 2008-09

Sl. No	Item	Amount (Rs. Lakh)
A. Tax Revenue		
i	Property Tax	1763.74
ii	Tax on Non-motorised Vehicle	11.88
iii	Tax on Advertisement & Hoardings	126.82
	Total- A	**1902.44**
B.Non-Tax Revenue		
i	Trade License Fees	415.35
ii	Market Fees	218.38
iii	Water Supply	76.60
iv	Parking Fees	67.20
v	Other	397.83
	Total- B	**1175.36**
	Grand Total (A+B)	**3077.80**

8.41 Based on the above actual collection of 2008-09 and the analysis and assumptions made in the foregoing paragraphs the forecast for 2011-16 for the GMC has been prepared and placed at Annexure- 8.5. For the purpose of projection an annual growth of 7 percent has been assumed over the actual of 2008-09.

B. Transfer from state Government

(a) Assigned Taxes:-

8.42 Art 243 Y of the constitution empowers the SFC to make recommendation as to the principles which should govern the determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the municipalities. In this context, the second and the third SFC of Assam recommended global sharing of the net proceeds of all taxes and duties levied and collected by the State. In view of this assignment of any particular tax or its appropriation by the municipalities was not considered by them. Hence assigned taxes did not constitute an important source of revenue for the ULBs in Assam. However, urban immovable property tax which was once collected by the GOA under the Assam Urban Immovable Property Tax Act, 1963 had been assigned to the ULBs, by an amendment of the said Act in 1969. Since then ULBs are collecting this tax along with property tax at the rate of 3 per cent of ARV.

8.43 Apart from this, GMC is authorised to levy a surcharge on stamp duty under Section 178 of the GMC Act, 1971. As reported GMC has not exercised this power so far. But until the recommendations of TASFC became operational, GOA used to pay a compensatory grant to GMC in lieu of stamp duty collected within its jurisdiction.

(b) Share in State Taxes:-

8.44 There is no specific clause in the Assam Municipal Act, 1956 for mandatory sharing of the proceeds of State taxes with ULBs. Never-the-less, the State Government used to share a certain percentage of the net proceeds of Motor Vehicle Tax with ULBs.

8.45 On the Contrary, GMC is entitled, under Section 184 of the Act, the proceeds of the following taxes collected within its jurisdiction by the GOA.

(1) Land Revenue collected under the Assam Land and Revenue Regulation, 1886.
(2) Local Rates collected under the Assam Local Rates Regulation, 1879.
(3) Property Tax collected under the Assam Urban Immovable Property Tax Act, 1969.
(4) Motor Vehicle Tax collected under the Assam Motor Vehicle Taxation Act, 1936.
(5) Entertainment Tax collected under the Assam Amusements and Betting Tax.

8.46 The above procedure of sharing the net proceeds of selected State taxes with GMC continued till the recommendations of TASFC became affective from 2007-08. TASFC recommended 10 percent of the net proceeds of all state taxes and duties as devolution to panchayats and municipalities for the year 2007-08 and thereafter at 25 percent for the remaining three years of their award period. In view of the global sharing recommended by TASFC the earlier procedure of selective sharing in state taxes was supposed to be terminated from 2007-08. TASFC further recommended that ULBs will not be entitled to any arrear in respect of shared taxes in view of the higher devolution recommended by them. In fact, it recommended appropriate amendments of the relevant Acts wherever necessary. In terms of devolution recommended by TASFC, GMC and other ULBs are entitled to share of State taxes as shown in Table- 4 below.

Table- 4

Tax Devolution to ULBs (Rs. Crore)

ULBs	2006-07	2007-08	2008-09	2009-10	2010-11	Total
ULBs (other than GMC)	Nil	73.10	177.26	187.54	197.93	635.83
GMC	Nil	25.98	62.99	66.65	70.34	225.96
Total	**Nil**	**99.08**	**240.25**	**254.19**	**268.27**	**861.79**

(c) General Purpose Grant:-

8.47 Usually grant-in-aid from the state to the civic bodies is based on the recommendations of the SFCs or as discretionary grant from the state government. General purpose grant refers to those which are given without any conditionality attached to it and is intended mainly to wipe out the revenue gap of the recipient bodies. Under the existing arrangement general purpose grant is rarely used as a tool of fiscal transfer from the State to sub-statal bodies. Nevertheless, records reveal that GMC received substantial amount of unconditional grant up to 2006-07 for meeting the shortfall in their administrative expenditure. However, ULBs, other than GMC, do not appear to have received any unconditional grant from the government.

(d) Special Purpose Grant:-

8.48 Special purpose grant as recommended by TASFC for GMC and other ULBs for four years from 2007-08 to 2010-11 is indicated purpose-wise in Table-5 below. Apart from SFC award, the State government, from time to time, provide special purpose grant to the ULBs, both under plan and non-plan, for the purpose of construction / improvement of physical infrastructure and improvement of Service delivery.

Table- 5

Special Purpose Grants to ULBs by TASFC (Rs. Lakhs)

Sl. No	Purpose	2007-08		2008-09		2009-10		2010-11	
		GMC	ULBs	GMC	ULBs	GMC	ULBs	GMC	ULBs
1	Liquidation of arrear Salary	3699	1531	-	-	-	-	-	-
2	Training	-	-	66.98	-	66.97	-	70.63	-
3	Town Hall	100	100	1000	600	-	600	-	800
4	Cesspool	24	840	-	-	-	-	-	-
5	Cremation & Burial grands	-	-	55	365	55	365	55	365
6	Public Toilets	-	-	55	131	55	131	55	131

(e) Transfer for Agency Function:-

8.49 Usually no fund is transferred to the local bodies through the State budget for performance of agency functions on behalf of the State. However, State's share of various centrally sponsored Scheme like SJSRY, JNNURM etc are routed through the State budget to the local bodies for implementation of such Schemes.

C. Transfer from the Central Government

(a) Finance Commission Grants

8.50 Grants for local bodies recommended by the successive Central Finance Commission are channelised to the local bodies through the State Government. Such flow of funds from the Central Government are an additional ity to State Government flows. The Tenth Finance Commission, for the first time, a warded Rs.14.20 crore for the ULBs in Assam for maintenance of civic services dur ing the period of their award 1995-2000. The Eleventh Finance Commission stepped up the grant to Rs.2154.20 lakh during 2000-05 out of which Rs.90.90 lakh was set apart for the excluded areas. Apart from operation and maintenance of core civic services the recommended amount was intended for maintenance of accounts and creation of data base. The Twelfth Finance Commission awarded grant of Rs.55 c rore for ULBs during the period 2005-10 with the stipulation that at least 5 0 percent of the amount need to be earmarked for the scheme of solid waste management through public private partnership. Unlike the previous Commission separat e amount for the excluded areas was not recommended. It was however left to the States concerned to allocate this grant among the local bodies in excluded areas also. The Thirteenth Finance Commission recommended grants amounting to Rs.261.9 7 crores for the ULBs during the period 2010-15. Out of this amount Rs.25 3.41 crore is earmarked for ULBs in general areas and Rs.8.56 crore for excluded areas. Again, grant for general areas is composed of Rs.165.69 crore as basic grant and R s.87.72 crore as performance grant Similarly, grant for excluded areas consists of Rs.5 crore as basic grant and Rs.3.56 crore as performance grant. For all five years States will be eligible to draw their share of general and special areas basic grant subject to submission of a utilisation certificate for the previous instalment drawn. However, general and special areas performance grant will be eligible fr om the second year of the award period provided nine conditions prescribed for the general areas and four conditions for the special areas are complied with.

8.51 As stated above, CFC grant for ULBs in General Areas is Rs.253.41 crores. Corresponding expenditure against this grant is bui lt in the expenditure stream as reported by the ULBs. There is no way to segregate this expenditure from others. Hence, we have taken the entire amount of CFC grant in the receipt side as per year-wise break up shown at Annexure- 8.5 and ULB-wise d etails at Annexures- 8.6 and 8.6- I.

(b) Agency Function

8.52 The agency functions of ULBs on behalf of the Government of India relate to the implementation of Centrally Sponsored Scheme like S JSRY, JNNURM etc. Substantial amount are being released directly to the ULBs every year as central share. In the current financial year Central share of SJSRY amoun ted Rs.54 crores and that of JNNURM to Rs.178 crores. It increases the administrative costs of the ULBs tremendously for affective utilisation of Central f und as per local needs.

D. Capital Account Receipts & Debt Status.

8.53 Capital account receipts accrue mainly from pu blic borrowings and also from recovery of loans and advances disbursed to third p arties. In this regard there is no regular or systematic borrowing programme pursued by the ULBs till now. Only at times they take resort to public borrowings. For in stance, GMC borrowed a certain sum from HUDCO against State Government guarantee during 1990-93. They defaulted in making repayment of principal or payment of interest. As a result, the overdue principal with accumulated penal rate of interest started mounting year to year. Eventually guarantee was invoked and the State Government made a one time settlement with HUDCO. Thereafter, GMC did not venture any further attempt at borrowing. Likewise, a few MBs availed LIC loan during the period 1977-78 to 1987-88 against State Government guarantee. But from the very beginning they started defaulting in making repayment and ultimately State Government had to bale them out. Under the circumstances, Capital account receipt may be treated as nil.

Debt Status

8.54 Debt status of the ULBs usually represents three types of loans. These are (i) loan from the State Government, (ii) loan from financial institutions like LIC, HUDCO etc and (iii) loan from banking sector.

8.55 It appears that ULBs receive loan from the State Government for different purposes within the approved Annual Plan Outlay. In order to assess the debt position of each ULB relating to loan issued by the Government of Assam, the Commission asked for relevant information such as date and year of issue of the loans, outstanding amount of principal and interest at the end of March, 2009, terms of repayment, rate of interest etc. from the concerned departments. Unfortunately, no response has been received till date. So far as loans from Government of Assam is concerned these are budgeted annually and accounts are maintained by the A.G., Assam and the outstanding position is reflected in the Finance Accounts compiled by the C&AG. However, Finance Accounts does not show the debt position local body-wise. Nor does it indicate the break up between principal and interest. Only the total loan outstanding against all ULBs taken together including GMC is reflected in the accounts. For instance, the Finance Accounts of Government of Assam compiled by the C&AG for 2008-09 showed an amount of Rs.5.12 crore as outstanding loan against municipalities under the head of account "6215- Loans for water Supply & Sanitation". Similarly, an amount of Rs.35.95 crore is shown as outstanding loan against municipalities/corporation under the head of account "6217- Loans for Urban Development". Apparently, Government of Assam, either in the nodal secretariat departments or in the offices of the respective heads of departments, do not maintain any loan ledger pertaining to loans issued to the local bodies. Further, it seems that realisation of principal and interest from the local bodies against these loans has never been insisted upon. These loans are being accumulated over the years with fresh loan added to it every year, hence it may not be possible now to enforce realisation of overdue principal or accrued interest thereon. In the circumstances it no longer carries any sense to treat this amount as loan to local bodies and get it reflected in accounts year after year. Having regard to the lack of documentation about State Government loans to municipal bodies, the Commission recommends write-off of this loan after a thorough assessment of the outstanding amount by the Government of Assam. And in future if loan is sanctioned it should be properly documented and loan ledger maintained for each item of loan separately.

8.56 Under the scheme of institutional financing some of the municipal boards availed loan from LICI for water supply scheme at different points of time from 1977-78 to 1987-88. These were negotiated loans from financial institutions allocated by the Planning Commission to GOA as part of Annual Plan resources. However, GOA instead of drawing these loans had ensured LICI to disburse the loan to different municipal boards directly without being routed through the State Government. Record reveals that nine municipal boards listed in Table- 6 below availed LICI loan for water supply scheme for sums noted against each.

Table- 6

Municipal Boards	Amount of Loan (Rs lakh)
1. Amguri	16.00
2. Dhekiajuli	16.00
3. Hailakandi	43.00
4. Hojai	34.00
5. Nalbari	41.00
6. Nagaon	78.00
7. Goalpara	28.48
8. Jorhat	33.86
9. Morigaon	45.43
Total	**335.77**

8.57 The civic bodies listed above availed the loan of Rs.335.77 lakh from LICI during the period 1977-78 to 1987-88 under State Government guarantee. As per agreement entered into between the LICI and the local bodies, the concerned local bodies were to repay the loan along with interest to the LICI. But from the very beginning the local bodies started defaulting payment of interest and repayment of principal to the LICI. The deplorable financial position of the recipient bodies never permitted them to discharge their liability to the LICI. Eventually, it was decided to repay the loan to LICI by the State Government. Accordingly, State Finance Department has been repaying the loan to LICI since 1989-90 as per repayment schedule prepared by the LICI.

8.58 It is reported that apart from Goalpara, Jorhat and Marigaon loans against other six municipalities have already been liquidated. However, the present outstanding position is not handy as no reconcilation has been done with LICI since long. The GOA is therefore, advised to get the reconciliation done with LICI immediately to rule out any further accumulation of penal interest.

8.59 Similarly, GMC had raised institutional loan amounting to Rs.1177.58 lakhs from HUDCO against State Government guarantee during the period 1990-1993. Initially they repaid some amount of the principal to the lending agency thereby bringing down the outstanding amount of loan to Rs.1011.83 lakhs. Thereafter, they defaulted in making any further payment and the principal amount with accumulated interest snowballed at Rs.3968.71 lakhs at the end of 31.03.2005. Eventually the State Government had to intervene and made an one time settlement with HUDCO assuming upon itself the responsibility of clearing the outstanding amount.

8.60 It appears from the statement of guarantees incorporated in Vol- 2 of the Finance Accounts 2010-11 compiled by the C&AG that a few MBs listed in Table- 7 below had borrowed sums noted against each against State Government guarantee.

Table- 7 (Rs. in crore)

Name of MB	Lending Agency	Year of drawal	Outstanding Principal	Interest
1. Amguri	HUDCO	1997	0.20	3.06
2. Barpeta	"	1993	0.19	1.01
3. Hojai	"	1992-95	0.82	14.14
Total	-	-	**1.21**	**18.21**

8.61 Apparently the concerned civic bodies after raising the above loan had made no effort for repayment and servicing of the debt. As a result the outstanding amount of interest at the end of 31.03.2011 snowballed to Rs. 18.21 crores and the combined liability to Rs.19.42 crores as reported in the Finance Accounts. Unless immediate steps are taken to liquidate the loan the outstanding interest will go on increasing at an alarming rate year after year. As these loans are backed by State Government guarantee the outstanding amount of principal and interest will have a severe impact on the contingent liability of the State. The unbridled expansion of contingent liability will create a situation where it may be difficult for the State Government to pursue a sound policy of debt reform and fiscal consolidation. The Commission would recommend the State Government to intervene and make an one time settlement with HUDCO as was done in case of GMC. It will reduce the contingent liability of the State Government to a considerable extent. Simultaneously, the LSGs may be prevented from raising such unproductive loan in future more importantly against State Government guarantee.

8.62 From our inter-action with the grass-root levels, it has come to the surface that a few MBs had in the past ventured on their own borrowing from banking sector. For instance, Barpeta Road MB borrowed a sum of Rs.30 lakhs in 2008 from Assam Co-operative Apex Bank, Dibrugarh MB borrowed Rs.26 lakhs in 2010 from SBI and Golaghat MB borrowed Rs.100 lakh in 2006 from Assam Gramin Vikash Bank. Further details of these loans such as purpose, duration, terms and conditions of repayment, rates of interest, steps so far taken to utilise the amount drawn and amount refunded etc are wanting. These loans appear to have been raised without the prior approval of State Government and these are not covered by State Government Guarantee either. It is abundantly clear that during all these years the concerned civic bodies have done precious little to repay the debt taking the plea of resource crunch. As a result over the years the outstanding amount of principal with overdue interest thereon has increased manifold over the drawn amount. Unless immediate steps are taken to clear the liabilities once and for all, it may take a severe dimension sooner or later to throw their finances out of gear. It is an inevitable fall out of their own indiscretion and hence they have to strive hard to get out of this situation.

8.63 Now that there is a positive turn around in the finances of ULBs with regular and ensured flow of funds concurrently from the Central and State Finance Commissions it may not be difficult for them to pay in suitable instalments to liquidate their accumulated debt burden. Now a days their salary burden is more or less taken care of by the devolution of SFC. In addition, grants-in -aid received from the Central Finance Commission is, by and large, untied now. The surplus available from these sources coupled with their own revenue collection, which should be augmented properly, should be the first charge in meeting their debt obligation. The Commission recommends that the defaulting civic bodies may negotiate an one time settlement with the lending agencies. If necessary, the State Government may be associated with the negotiation so that a favourable term can be secured. In no case, however, borrowing should be resorted to in future by the LSGs in disregard to project viability and ensured return to take care of servicing and repayment.

8.64 Recently the Chairman, Golaghat Municipal Board informed the Commission that they availed the loan of Rs.1 crore from Assam Gramin Vikash Bank on 15.09.2006. The rate of interest was 12.75 percent per annum. It was repayable in 18 equal monthly instalments plus interest commencing after six months from the date of drawal of the loan. The purpose of the loan was for construction of a municipal market complex. Initially the municipal board made repayment amounting to Rs.53.70 lakhs. Despite repayment of these amount, the overdue principal with accrued interest thereon stands at Rs.129.19 lakhs on 30.08.2011. It is also stated that the market complex is partially completed and the completed position is rented out at a monthly rent of Rs.2 lakhs. The Commission advised the State Finance Department to arrange a tripartite meeting so that the outstanding amount can be settled favourably. And also to explore the possibility of meeting the amount from the grant recommended by us during 2011-12 in our interim report. Similar steps may be taken in respect of bank loans availed by other MBs.

E. Expenditure on Revenue Account

ULBs Other than GMC

8.65 By and large, revenue expenditure of urban civic bodies can be classified as under: (i) expenditure on administration including salary and wages of employees and remuneration of elected representatives, (ii) civic functions, (iii) maintenance of community assets, (iv) agency functions on behalf of the Central and State Governments and (v) interest payment on borrowed fund.

(a) Expenditure on Administration

8.66 The main component of the expenditure on administration of the ULBs relates to salary and wages of the employees including terminal benefits like CPF, gratuity, leave encashment etc. This is followed by remuneration of elected representatives as admissible under the Assam Municipal (Amendment) Act, 2011. Besides, it also includes all types of office expenses and other contingent expenditure.

Salary and Wages

8.67 Usually, the State Government scales of pay are adopted by the ULBs for their employees as well. However, the revised pay structure as recommended by the Assam Pay Commission and accepted by GOA with effect from September, 2009 is not yet extended to the employees of ULBs. There is a growing demand from the employees and sooner or later this may have to be acceded as a fait accompli, more so when this benefit is already extended to the employees of GMC. In view of this, the Commission in its Interim Report for the year 2011-12 worked out the salary burden of ULBs on the basis of the revised scales of pay as per the Assam Revision of Pay Rules, 2010. Likewise, the salary burden of ULBs for the remaining years is worked out in the revised scales of pay and built into the estimates. Commission recommends that the benefit of revised scales of pay as per RoP Rules, 2010 be extended to the employees of ULBs with effect from 01.04.2009.

8.68 Unlike the PRIs, the ULBs do not have any approved staffing pattern for them and the services of their employees are not provincialised either. Until the recommendations of TASFC became effective from FY 2007-08, the salary burden of the employees of ULBs used to be met from their internal resources. As a result, staff strength varies from unit to unit depending on the size and paying capacity of each individual unit. Variation in staff strength across the municipal bodies is so wide that it ranges between a minimum of 4 and a maximum of 195. As reported, the present staff strength of 71 urban civic bodies is 1688 regular employees under different categories of posts. Besides, there are also 1259 casual/muster roll employees. Local body-wise number of employees is shown at Annexure- 8.7.

8.69 For the purpose of the Interim Report, the projection of salary burden for the year 2011-12 was based on the actual level of expenditure during 2008-09. The actual expenditure on salary, wages and terminal benefits during 2008-09 was Rs.25.43 crores. This amount was projected at an annual growth of 10 percent to arrive at the estimated figure of Rs.33.85 crores for 2011-12. Further an amount of Rs.15 crores was added to it on account of the impact of pay revision with arrears.

8.70 For the purpose of the Final Report, our assessment of salary burden of ULBs is based on the number of regular employees actually in position now. As mentioned earlier there are 1688 number of regular employees. The total financial impact of salary payment to the regular employees is worked out in the revised scales of pay for the year 2010-11. At the first instance, the basic pay of each category of post in the pre-revised scale is determined. This is done at a stage approximately in the middle of the pre-revised scale. Thereafter, fitment benefit in the revised scale is allowed as per formula enunciated by the Pay Commission and accepted by GOA. Having thus determined the band pay the grade pay is allowed as per latest decision of government vide notification No. FPC 109/2010/41 dated 19.02.2011. Dearness allowance at the rate of 51 percent of band pay plus grade pay is allowed. Besides, house rent allowance at 12 percent and medical allowance at a flat rate of Rs.350 per month is allowed.

8.71 Based on the above assumption, the salary burden of ULBs taken together is calculated at Rs.33.97 crores for the year 2010-11. This is excluding the amount required for terminal benefits. The salary expenditure calculated for 2010-11 is taken as the base for the purpose of projection in subsequent years upto 2015-16. Projection is made assuming an annual growth of 10 percent over the base year. The details of calculation is shown at Annexure- 8.8.

8.72 The above calculation of salary expenditure does not take into account the amount required for payment of terminal benefits to the employees. The level of expenditure on this account during 2008-09 was Rs.181.27 lakhs. This is adopted as the base for the purpose of projection for the subsequent years upto 2015-16. An annual growth of 10 percent is assumed over the base year.

8.73 Apart from regular employees, there are 1259 casual employees engaged by the ULBs. The rate of wages of casual employees vary across the ULBs. On an average the rate of wage per employee per month is taken Rs.3000. The annual financial implication for payment of wages is estimated at Rs.453.24 lakhs.

8.74 Next to salary and wages, remuneration of elected representatives constitutes an important element of expenditure of the ULBs. The elected representatives of the ULBs were not entitled to any remuneration so long other than conveyance allowance to the Chairman and Vice-Chairman. However, the Chairman, Vice-Chairman and Commissioners of the municipalities are now entitled to get remuneration under Section 42 of the Assam Municipal (Amendment) Act, 2011. The rate of remuneration is Rs.10,000 per month for the Chairman, Rs.7000 per month for the Vice-Chairman and Rs.5000 per month for the elected Commissioners. In view of the remuneration granted, they will not be entitled to any other kind of financial benefit. The annual financial impact of remuneration is estimated at Rs.480.84 lakhs and this is incorporated in our forecast of expenditure upto 2015-16. The details of calculation are at Annexure- 8.9.

Office Expenses

8.75 The actual level of expenditure for normal running of offices was Rs.874.53 lakhs during 2008-09. This is taken as the base for projection during the forecast period and an annual growth of 10 percent is assumed over the base level.

(b) Civic Functions

(i) Water Supply

8.76 Urban water supply is concurrently maintained by the Municipalities and Urban Water Supply & Sewarage Board. The level of expenditure incurred by municipalities on maintenance of water supply was Rs.257.60 lakhs during 2008-09. This is taken as the base for projection upto 2015-16 at an annual growth of 10 percent.

(ii) Street Lighting

8.77 The existing number of street lights maintained by the ULBs is about 34000. By the end of the year 2011, the coverage is proposed to be extended by another 68000 bringing the total to 102000. The amount spent for maintenance of street lights during 2008-09 was Rs.237.93 lakhs. This is projected at an annual growth of 10 percent to arrive at the estimates for 2012-13 to 2015-16. It is brought to our notice that State PWD installed street lights and bore the electricity charges in respect of a few municipalities viz, Jorhat, Golaghat, Titabor and Sonari. During 2011-12, PWD incurred an expenditure of Rs.72.34 lakhs on behalf of the above municipalities. However, the State Government objected to such practice and asked the concerned municipalities to pay for themselves. Since the expenditure against street lighting is projected on the basis of past actual which does not include the expenditure incurred by PWD it is recommended that the concerned municipalities may be compensated by an equal amount of grant as noted against each during the next four years. Table- 8 below shows the break up municipality-wise in each year.

Table- 8
Compensatory Grant in lieu of Electricity Charges

Sl. No.	Name of Municipality	Amount in lakhs in each year
1.	Jorhat MB	14.69
2.	Golaghat MB	21.89
3.	Sonari MB	11.91
4.	Titabor TC	23.85
	Total	**72.34**

(iii) Sanitation

8.78 The level of expenditure incurred by the municipalities for public health and sanitation during 2008-09 was Rs.128.36 lakhs. This is adopted as the base for the purpose of projection upto 2015-16. An annual growth of 10 percent is assumed for projection.

(iv) Solid Waste Disposal

8.79 The level of expenditure on conservancy and solid waste disposal during 2008-09 was Rs.117.44 lakhs. This is taken as the base for projection of expenditure upto 2015-16 assuming an annual growth of 10 percent over the base year level.

(c) Maintenance of Community Assets

(i) Roads and Culverts

8.80 The length of municipal roads is reported at 2 697 Km out of which about 2000 Km is maintained by the municipalities themselves. The expenditure incurred on maintenance of roads and culverts during 2008-09 was Rs.671.32 lakhs. This is projected upto 2015-16 assuming an annual growth of 10 percent.

(ii) Drains

8.81 The total length of storm water drainage is 2661 Km out of which 2309 Km is kutcha and the remaining 352 Km is pucca. For annual repair and maintenance of drains, the municipalities spent an amount of Rs.370.96 lakhs during 2008-09. This is adopted as the base and projected at an annual growth of 10 percent upto 2015-16.

(iii) Others

8.82 Other community assets include community halls, municipal markets, bus stands, slaughter houses, cremation and burial grounds etc. The municipalities spent an amount of Rs.246.25 lakhs during 2008-09 for maintenance of other community assets. This is adopted as the base for projection during subsequent years assuming an annual growth of 10 percent. The ULB-wise details of revenue expenditure is at Annexure- 8.10.

(d) & (e) Expenditure on Agency Functions

8.83 Broadly speaking, the urban civic bodies perform agency functions on behalf of the Central and State Governments against different Centrally Sponsored Schemes. Corresponding shares of the Central and the State Governments are met from the respective head of account under the plan. The scheme-wise details of inflows and outflows are not available to the Commission. For the purpose of gap assessment it is presumed that receipts and expenditure on this account will cancel each other.

(f) Expenditure on Interest

8.84 The borrowing programmes pursued by the urban civic bodies so long ended with a whimper. They defaulted in making payment of interest and repayment of principal. Eventually, the liability devolved on the State Government, being the guarantor of the loan. As such, expenditure on interest payment by the ULBs may be treated as nil.

F. Expenditure Incurred Directly by State Government on behalf of Local Bodies

8.85 No such expenditure is incurred directly by State Government on behalf of urban local bodies.

G. Deferred Expenditure

8.86 It is brought to our notice that 21 ULBs has accumulated arrear liability amounting to Rs.945.12 lakhs on account of salaries and terminal benefits of their employees. This has been accumulated over the period 1999 to 2008 as reported by the concerned ULBs. It is stated by the defaulting units that they could not liquidate the arrears after meeting the current liabilities. This amount may be provided as grant to the concerned ULBs. The list of ULBs with amount note a gainst each is shown in Table- 9 below.

Table- 9

Sl. No.	Name of ULBs	Arrear Amount (Rs. Lakh)
1.	Dhubri MB	171.46
2.	Goalpara MB	81.32
3.	Jorhat MB	51.25
4.	North Lakhimpur MB	94.12
5.	Bilasipara TC	51.15
6.	Sapatgram TC	48.55
7.	Dhemaji TC	77.92
8.	Rangapara TC	14.17
9.	Rangia TC	20.32
10.	Howly TC	23.00
11.	Teok TC	6.87
12.	Titabor TC	16.99
13.	Bongaigaon MB	13.22
14.	Digboi TC	10.07
15.	Dhing TC	21.79
16.	Hojai MB	22.21
17.	Karimganj MB	124.00
18.	Badarpur TC	53.00
19.	Barpeta MB	25.00
20.	Bokakhat TC	6.03
21.	Doomdooma TC	12.68
	Total	**945.12**

H. Capital Expenditure

8.87 TASFC recommended substantial amount as grants -in-aid to ULBs during 2007-08 to 2010-11. These were intended for taking up various construction works under capital account. Since the DPR could not be finalised in ti me, the recommended amount could not be utilised.

8.88 In this regard, the Commission in its Interim Report for the year 2011-12 recommended a sum of Rs.150 crores as grant-in-aid to ULBs for improvement of Service delivery. This was estimated on a per capit a basis as there was no specific proposal from the ULBs for creation of physical inf rastructure. However, for the purpose of the Final Report, the Commission has rec eived a large number of proposals for creation of physical infrastructure o f ULBs. These include construction of office buildings, town halls, water supply, drai nage & sewerage, solid waste disposal, public-toilet, cremation & burial grounds , staff quarters, bus stops, parking places, primary schools and the like. It involves n early Rs.7800 crores. Evidently, it would not be possible for the Commission to take in to cognizance all these proposals. A selective view will therefore have to be taken.

Town Hall for ULBs

8.89 In regard to town hall for the ULBs, the TASFC asked for a prototype for its consideration. However, this could not be made available to them in time. Eventually, they recommended a sum of Rs.20 crores as grant to ULBs for construction of town halls. This amount was supposed to be disbursed to all ULBs as seed/margin money. The Commission maintained that a esthetically beautiful design and big landscaped compound should be the main consideration for the town halls. These should be commodious enough to provide for meeting and conference halls, office and other facilities as in the Mumbai Town Hall. The recommendation of TASFC though accepted by government could not be implemented. As such, the need arises for its reconsideration.

8.90 In the meantime, the Commission has received a Detailed Project Report (DPR) from the State PWD for construction of town halls for ULBs. For this purpose, 71 ULBs have been categorised under 5 groups depending on the number of population in each. Accordingly, the size of the buildings, the number of storeys in each, seating capacity of the halls and estimated cost per unit is determined as shown in Table- 10 below.

Table- 10
Town Halls for ULBs

Sl. No.	Population	No of ULBs	Seating Capacity	Area Sq.M	Cost per unit (Rs Crore)	Total Cost (Rs. Crore)
1	Upto 10,000	18	300	3100 (G+1)	5.75	103.50
2	Upto 25,000	30	400	3380 (G+1)	6.31	189.30
3	Upto 60,000	15	500	3850 (G+1)	6.97	104.55
4	Upto 1,25,000	7	600	4460 (G+2)	8.12	56.84
5	Above 1,25,000	1	750	4850 (G+2)	9.26	9.26
	Total	**71**	**-**			**463.45**
					Say Rs.464 crores	

8.91 The DPR submitted by PWD appears to be reasonable and it also conforms to all aspects suggested by TASFC. As indicated in the above table, it involves a total cost of about Rs.464 crores. Such a big project is unlikely to be completed within the remaining 4 years of our award period and may spill over to the next five years. In view of this 50 percent of this amount or Rs.232 crores may be made available in 4 years from 2012-13 at the rate of Rs.58 crores per year. This project may be implemented through State PWD Building Wing.

Water Supply

8.92 In the matter of Service delivery by the urban civic bodies supply of drinking water and solid waste disposal merit special consideration. However, as per an estimate received from the Assam Urban Water Supply & Sewarage Board, out of 71 urban civic bodies in the General Areas of Assam as of now only 40 civic bodies are covered by urban water supply schemes. The remaining 31 bodies with population coverage of approximately 8 lakhs as per 2001 census are still outside the purview of urban water supply scheme. Further, water supply scheme is taken up on a perspective plan of 30 years and its design and lay out is prepared as such. It is also reported that the installation cost of water supply comes to about Rs.3900 per head. After 30 years from now, the population of urban civic bodies not covered by water supply will get more than doubled. As a result the installation cost of new water supply schemes to achieve hundred percent coverage will be a staggering sum at the rate of Rs.3900 per capita. Water supply, no doubt, is the core civic service expected by the citizen from the urban civic bodies. The Commission therefore, lays stress on the need to enhance the service delivery in respect of drinking water supply. At the first stage, the coverage may be extended to those urban civic bodies which are not yet covered by water supply scheme and may be provided a sum at the rate of Rs.3900 per capita of its population as per 2001 census for installation of new water supply scheme. The total amount is estimated at Rs.314.70 crores. This amount may be made available in 4 years from 2012-13 at the rate of Rs.78.68 crores per year. This may be implemented through Assam Urban Water Supply & Sewarage Board. The list of ULBs with amount noted against each is at Annexure- 8.11. The Commission is aware that the amount so provided may not be sufficient to complete the works keeping in view the long term perspective and the population explosion during the period. Wherever necessary it may be supplemented by CFC grant or from plan allocation.

Solid Waste Disposal

8.93 The collection and disposal of solid waste has become a matter of grave concern for the public and civic bodies as well. Heaps of uncleared garbages spilling over the dustbins and littering the streets, footpaths and drains is a common sight across the cities and towns all over the State. The garbage is strewn all over on the streets, on footpaths, in the market places and in the drains clogging the flow of water. Apart from presenting an ugly sight, it is a constant threat to health and hygiene of the citizens. In order to improve this dismal situation somewhat, it is felt that the infrastructure of ULBs may be strengthened through induction of some modern appliances for solid waste disposal. In this regard the following equipments may be provided to the ULBs. (1) For collection of solid waste one Back Loader at the rate of Rs.14 lakhs may be provided to ULBs having population above 30,000, (2) one Cess Pool cleaner at the rate of Rs.10 lakhs for ULBs with population above 15,000, (3) one open drain cleaning machine at the rate of Rs.12 lakhs to ULBs with population above 35,000, (4) one mini truck tipper at the rate of Rs.9 lakhs to ULBs with population below 15,000, (5) dumper placer costing Rs.1 lakhs each at the rate of 5 numbers to ULBs with population above 15,000 and 3 numbers each to ULBs with population below 15,000 and (6) one Sulabh toilet for each ULB at a cost of Rs.5 lakhs per unit. The total cost is estimated at Rs.17.65 crores which is phased over 4 years from 2012-13 at the rate of Rs.4.32 crores, Rs.4.20 crores, Rs.3.55 crores and Rs.5.58 crores respectively. The list of ULBs and details of calculation is at Annexure-8.12.

8.94 In this context it is worth mentioning that mere provision of some modern equipments will not bring about a positive turn around of the present dismal situation. For this to happen, what is needed is a band of dedicated workers firmly wedded to the ideology of professionalism.

Staff Quarter for Harijan

8.95 The Commission received a large number of representatives from the ULBs for construction of staff quarters for the safai karmacharies including staff. It is reported that the unit cost of two storyed building will be approximately Rs.24 lakhs. It is proposed to provide two units for larger civic bodies having population above 60,000 and single unit for those with population in below 60,000. The total cost of construction is Rs.18.96 crores as shown at Annexure- 8.13. This amount may be provided at the rate of Rs.4.74 crores each year. The implementing agency shall be State PWD.

I. Net Budgetary Position of the ULBs

8.96 Based on our assessment in the foregoing paragraphs, the net budgetary position of the ULBs, other than GMC, is summarized in Table- 11 below.

Table- 11
Net Budgetary Position of ULBs

(Rs. Lakhs)

Particulars	2012-13 Est.	2013-14 Est.	2014-15 Est.	2015-16 Est.
A. Revenue Receipt				
1. Tax Revenue	1743.56	1865.61	1996.20	2135.94
2. Non-Tax Revenue	2420.91	2590.38	2771.71	2965.72
3. Grant from CFC	3503.22	4142.64	4897.10	4897.10
Total - **A**	**7667.69**	**8598.63**	**9665.01**	**9998.76**
B. Revenue Expenditure				
1. Salary, wages & terminal benefits	4828.97	5266.55	5747.87	6277.33
2. Remuneration	480.84	480.84	480.84	480.84
3. Office Expenses	1280.40	1408.44	1549.28	1704.21
4. Operation & Maintenance				
i) Water Supply	377.15	414.87	456.35	501.99
ii) Street Lighting	348.35	383.19	421.51	463.66
iii) Sanitation	187.93	206.72	227.40	250.14
iv) S.W.D	171.94	189.14	208.05	228.86
v) Road	982.88	1081.17	1189.28	1308.21
vi) Drain	543.12	597.43	657.18	722.90
vii) Others	360.53	396.59	436.25	479.87
Total- 4 - O & M	2971.90	3269.11	3596.02	3955.63
Total - **B**	**9562.11**	**10424.94**	**11374.01**	**12418.01**
C. i) Deferred Expenditure	945.12	-	-	-
ii) Electricity Charges	72.34	72.34	72.34	72.34

D. Capital Expenditure				
i) Town Hall	5800.00	5800.00	5800.00	5800.00
ii) Installation of Water Supply (as per Annexure- 8.11)	7868.00	7868.00	7868.00	7868.00
iii) Equipments for S.W.D (as per Annexure- 8.12)	432.00	420.00	355.00	558.00
iv) Staff Quarter for Harijan (as per Annexure- 8.13)	474.00	474.00	474.00	474.00
Total - **D**	**14574.00**	**14562.00**	**14497.00**	**14700.00**
E. Total Expenditure (B+C+D)	**25153.57**	**25059.28**	**25943.35**	**27190.35**
F. Assessed Gap (A-E)	**(-)17485.88**	**(-)16460.65**	**(-)16278.34**	**(-)17191.59**

E. Revenue Expenditure of GMC

(a) Administration

8.97 The main component of administrative expenditure of GMC relates to salary of the employees including terminal benefits like CPF, gratuity and leave encashment. This is followed by wages of muster roll and casual employees. Besides, it also includes office expenses, TA/DA of the employees and other contingent expenditure.

Salary Expenditure

8.98 The GMC do not have any approved staffing pattern and the services of its employees are not provincialised either. GMC has adopted State Government scales of pay for its employees with effect from January, 1996. As a consequence, the benefits of the Assam Pay Commission, 2008 has been automatically extended to its employees. It is ascertained that the employees are drawing pay as per the Assam ROP Rules, 2010 from 2010-11. It is gathered that the present sanctioned strength of GMC under different categories of posts is 3817. It is reported that out of the sanctioned strength of 3817, at present 1493 posts are lying vacant and 2324 posts are in position.

8.99 For the purpose of estimating the salary burden of GMC, our assessment is based on 2324 number of employees currently in position under different categories of posts. The total financial impact for payment of salary annually is worked out in the revised scales of pay for the year 2010-11. At the first instance, the basic pay of each category of post in the pre-revised scale is determined. This is done at a stage approximately in the middle of the pre-revised scale. Thereafter, fitment benefit is allowed in the corresponding revised scale as per formula enunciated by the Pay Commission and adopted by the Government. Having determined the band pay, the grade pay is allowed as per latest decision of Government vide Notification NO FPC 109/2010/41 dated 19.02.2011. Dearness allowance is calculated at the rate of 51 percent of band pay plus grade pay. Besides, house rent allowance is calculated at 15 percent of band pay plus grade pay and medical allowance at a flat rate of Rs.350 per month.

8.100 Based on the above assumption, the salary burden of GMC is calculated at Rs.4564.56 lakhs for the year 2010-11. The salary expenditure calculated for 2010-11 is adopted as the base for the purpose of projection during the subsequent years upto 2015-16, assuming an annual step up of 10 percent over the base year. The details of calculation is shown at Annexure- 8.14.

Wages

8.101 Apart from regular employees, the Corporation also engages drivers and cleaning staff on daily wage basis. There are 563 cleaners and 87 drivers on daily wage payment. The rate of wage per day is Rs.130 for the cleaning staff and Rs.150 for the driver. The annual financial implication works out to Rs.310.46 lakhs which is built in the expenditure stream during the forecast period.

Office Expenses

8.102 The actual level of expenditure on this account was Rs.848.88 lakhs during 2008-09. This is adopted as the base for the purpose of projection during the subsequent years upto 2015-16. An annual growth of 10 percent is assumed over the base year level.

(b) Civic Functions

(i) Water Supply

8.103 The piped water supply scheme of GMC covers 26750 residential houses apart from a few commercial connections. For this GMC maintains 18 reservoir tanks of different capacities. In addition for door to door supply of drinking water they maintain 14 truck mounted water tanks of different capacities. The actual level of expenditure on power, fuel charges and chemicals etc during the year 2008-09 was Rs.376.32 lakhs. This is adopted as the base for projection during subsequent years assuming an annual growth of 10 percent over the base year level.

(ii) Street Lighting

8.104 The existing number of street lights maintained by GMC is about 11600 out of which 7200 are tube lights; 4080 sodium vapour lights and 318 mercury/CFL. The level of expenditure on materials and energy charges was Rs.139.57 lakhs during 2008-09. this amount is taken as the base for projection during subsequent years upto 2015-16 assuming an annual growth of 10 percent over the base year level.

(iii) Sanitation & (iv) Solid Waste Disposal

8.105 The solid waste generated at Guwahati city is approximately 400 metric tonnes per day. Out of this, about 350-370 MT are being collected daily. For dumping of the garbages there are about 357 dust bins spread over the city. There is one disposal yard having an area of 78470 Sq.m. The distance of the disposal yard from the city is about 25 km. For collection and maintenance of solid waste, GMC maintains conservancy vehicles which include 100 push carts, 25 dumper placer and 40 auto vehicles. The total cost of operation and maintenance was Rs.586.44 lakhs during 2008-09. This is taken as the base for projection during subsequent years upto 2015-16. An annual growth of 10 percent is assumed.

(c) Expenditure on Maintenance of Community Assets

8.106 Due to pressing demand for other core civic services, the level of expenditure on maintenance of community assets is rather insignificant. Moreover, the base year figure of expenditure does not separately show the amount spent on maintenance of community assets. Whatever little amount is spent for this purpose is merged with other items of expenditure. Hence, no projection is made on this account.

(d) & (e) Expenditure on Schemes Assigned by the State/Centre

8.107 Expenditure on schemes assigned by the Central and State Governments are usually financed by Central/State shares of the respective schemes which are met from plan allocation. For the purpose of our assessment both receipt and expenditure on this account are omitted.

(f) Expenditure on Interest

8.108 The Corporation has not raised any loan from market or financial institutions. As such the expenditure on interest payment is nil.

F. Expenditure Incurred Directly by State Government

8.109 No expenditure is incurred directly by the State Government on behalf of the GMC.

G. Deferred Expenditure

8.110 It may be recalled that TASFC in its interim report recommended a sum of Rs.36.99 crores as grant-in-aid to GMC during 2007-08 to clear the accumulated arrears in respect of CPF, group insurance and other terminal benefits of the retired employees. However, this amount was not disbursed to them. As a consequence, the Corporation has once again preferred a deferred claim of Rs.42.37 crores consisting of Rs.33.20 crores as CPF contribution, Rs.5.58 crores as gratuity and Rs.3.59 crores as leave encashment.

8.111 Simultaneously, the Corporation has sent another proposal for extension of pensionary benefits to its employees with effect from 01.01.1996. This is in pursuance to the recommendations of TASFC which is accepted by Government subject to the condition that it may be referred to the Cabinet. The total financial implication with accumulated arrear from 01.01.1996 upto the terminal year of our award period i.e., 2015-16 is worked out at Rs.130.75 crores. It includes Rs.108.92

crores as basic pension plus allowances and Rs.21.8 3 crores as difference of DCRG already paid.

8.112 In view of pensionary benefits being proposed to be extended to the retired employees of GMC with retrospective effect from 01.01.1996, the claim for deferred payment of Rs.42.37 crores referred to above perhaps become redundant. Once pensionary benefits are allowed, retired GMC employees will no more be entitled to CPF amount. On the contrary they will be required to refund the amount of CPF already drawn. As a result, the accumulated liability on account of basic pension and other allowances is expected to come down substantially from Rs.108.92 crores after adjustment of CPF already drawn. In response to our query GMC has informed that Rs.11.43 crores approximately has already been disbursed to the retired employees as CPF. In view of this the estimated basic pension will stand reduced to Rs.97.49 crores in place of Rs.108.92 crores. Death cum Retirement Gratuity (DCRG) admissible to the retired employees upto 2010 is Rs.9.04 crores. The total amount of gratuity already paid upto 2010 is Rs.6.33 crores. Hence, arrear DCRG accumulated upto 2010 is Rs.2.71 crores. Therefore, arrear liability on account of pension and DCRG from 01.01.1996 stands at Rs.100.20 crores. An amount of Rs.100 crores at the rate of Rs.25 crores per year from 2012-13 is set apart for pensionary benefits to GMC employees provided the State Cabinet approves.

H. Capital Expenditure

Construction/Renovation of GMC Zonal Office

8.113 For administrative convenience GMC is divided into six zones and each zonal office is housed in separate buildings in different areas of the city. The present condition of zonal office buildings are totally in bad shape. The existing buildings will have to be demolished and reconstructed. In fact, the head office of GMC at Panbazar is similarly in a pitiable condition. The Commission recognises the urgency of office accommodation and at the same time it is aware that any dispensation in this regard would be meaningless unless the land belongs to GMC . It is ascertained that out of six zonal offices four located at Dispur, Uzanbazar , South Sarania and Bhutnath are having land of their own. GMC proposes to construct /renovate buildings of the aforesaid zonal offices at an estimated cost of Rs. 16 crores. This amount may be made available to GMC at the rate of Rs.4 crores per year from 2012-13 to 2015-16.

Equipments for Solid Waste Disposal

8.114 ULBs in Assam usually rely on archaic method of solid waste disposal and GMC is no exception. Right from sweeping, drain cleaning, garbage collection and carrying everything is done manually instead of using modern technology and machinery. Performance of this sort of jobs manually degenerates the dignity of human labour transgressing the bounds of decency. It is time to bid good bye to this antiquated method and replace it with modern appliances. In this regard equipments like open drain cleaning machine, back loader, mini truck tipper, dumper placer, cess pool cleaner etc may be considered. GMC has asked for a modest sum of Rs.20 crores for procurement of machinery for SWM. The amount seems reasonable and may be provided to GMC at the rate of Rs.5 crores per year from 2012-13 onwards.

Renovation of Markets

8.115 Apart from private markets GMC has altogether 12 markets owned by them. All these markets are in bad shape. Buildings are pretty old and dilapidated, drainage and sewerage system are not there and modern amenities are totally lacking. In order to put them in proper shape huge investment is needed. GMC asked for a sum of Rs.42.22 crores for renovation of the existing markets. For development of the existing markets a sum of Rs.40 crores may be provided at the rate of Rs.10 crores per year spanning over a period of four years.

Roads and Drains

8.116 The total length of road under GMC is 221 km out of which only 6 km is concrete, 118 km Black Topped, 15 km WBM and the remaining 82 km Earthen/Gravel. Likewise, the total length of drain is 209.58 km out of which 128 km is kutcha and 81.58 km is concrete. The major portion of the drain is uncovered and as such prone to frequent accidents. The city is expanding fast and its old Assam type buildings are rapidly yielding place to high rise buildings. Demand for improvement of roads and drains is understandably insistent. The low level of maintenance and repair is hardly adequate to keep these assets in good shape necessitating reconstruction/ renovation of a major portion of these assets. GMC asked for a sum of Rs.20 crores on this account which may be provided at the rate of Rs.5 crores per year spanning over a period of four years from 2012-13 onwards.

Water Pipe Lines

8.117 The distribution network of water supply pipe lines of GMC covers a total length of 395 kms. This network was laid precisely four decades ago. The old pipe lines are totally in shamble now and leaks water everywhere causing a lot of public inconveniences. More importantly a huge quantity of water get lost every day. The whole network of pipe lines need immediate replacement. For this purpose an amount of Rs.8 crores may be provided to GMC at the rate of Rs.2 crores per year.

Unipole for Advertisement

8.118 Tax on advertisement is a potential source of revenue for GMC which is yet to be exploited fully. The age old practice of fixing hoardings at road side public land, buildings tops and walls is still continuing. The haphazard fixture of hoardings at odd places not only spoil the scenic beauty of the city but at times create traffic problems as well. In order to streamline the archaic system of advertising GMC purposes to construct Unipole for advertisement at a few vantage points in the city. For this purpose they asked for a sum of Rs.20 crores. It is a short term investment and expected to start yielding decent return within a short period. This amount may be provided to GMC at the rate of Rs.5 crores per year.

I. Net Budgetary Position of GMC

8.119 Based on the assumption and analysis in the f oregoing paragraphs, the net budgetary position of GMC is summarised in Table- 1 2 below.

Table- 12
Net Budgetary Position of GMC

(Rs. in lakhs)

Particulars	2008-09 Actual	2012-13 Est.	2013-14 Est.	2014-15 Est.	2015-16 Est.
A. Revenue Receipt (as per Anx.- 8.5)	**3077.80**	**6120.83**	**6709.05**	**7366.88**	**7743.65**
B. Revenue Expenditure					
1. Salary	3886.54	5523.12	6075.43	6682.97	7351.27
2. Wages	-	310.46	310.46	310.46	310.46
3. Office Expenses	848.88	1242.85	1367.13	1503.84	1654.23
4. Civic Functions					
i) Water Supply	376.32	550.97	606.07	666.67	733.34
ii) Street Light	139.57	204.34	224.78	247.26	271.98
iii) S.W.D	586.44	858.61	944.47	1038.91	1142.81
Total- 4	**1102.33**	1613.92	1775.32	1952.84	2148.13
Total - B	**5837.75**	**8690.35**	**9528.34**	**10450.11**	**11464.09**
C. Deferred Expenditure Pension/DCRG	-	2500.00	2500.00	2500.00	2500.00
D. Capital Expenditure					
i) Construction/ Renovation of Zonal Office	-	400.00	400.00	400.00	400.00
ii) SWD Equipments	-	500.00	500.00	500.00	500.00
iii) Markets	-	1000.00	1000.00	1000.00	1000.00
iv) Roads/Drains	-	500.00	500.00	500.00	500.00
v) Water Pipe Line	-	200.00	200.00	200.00	200.00
vi) Unipole	-	500.00	500.00	500.00	500.00
Total - D	-	**3100.00**	**3100.00**	**3100.00**	**3100.00**
E. Total Expenditure (B+C+D)	**5837.75**	**14290.35**	**15128.34**	**16050.11**	**17064.09**
F. Assessed Gap (A-E)	**(-) 2759.95**	**(-) 8169.52**	**(-) 8419.29**	**(-) 8683.23**	**(-) 9320.44**

J. Review of Fiscal & Financial Management

8.120 Before taking a view on municipal administration it may the worthwhile to take a closer look on the prevailing ground realities. The urban scenario is marked by rapid urbanisation, concentration of population in city a nd towns much beyond the carrying capacity of the land in terms required inf rastructure and are creating tremendous problems to sanitation, sewerage water supply and public health. Wetland has started disappearing, tree felling and earth cutting on hilly slopes are removing the top soils and chocking up the outlets through which the rain water would have found a passage. Without proper planning of drainage, water supply, garbage disposal the haphazard construction of mult istoried buildings only worsens the situation. While the government must have to ad dress these issues seriously lest the situation goes completely out of hand it has to be realised that the ULBs face a formidable task in servicing the areas under their jurisdiction at least at a tolerably acceptable level. Resources being limited they must concentrate in areas like sanitation, sewerage, solid waste management. These are also the areas where privatisation can be effective. Toilets constructed in and around market places, bus stands by ULBs may be handed over to NGOs or other private bodies for maintenance which they can do utilising the fund collected as fees from users. A public private partnership is also possible in programmes like street lighting and solid waste management.

Most inadequate drainage system, closed, foul smelling nullahs are a bane of most municipal areas. Mere concrete construction of drain in patches is not the answer to this. Most important is to find out where the drain water will go. Some outlets must be arranged so that the drainwater does not stagnate providing an ideal breeding ground to mosquitoes.

It is also essential to preserve the water bodies which can absorb the overflow of rainwater. It is imperative to keep these water bodies free from encroachment.

The tendency to construct buildings on any available land even by filling up water bodies/natural route of the overflow of drainwater should be ruthlessly stopped. While giving building permission these matters should be of paramount consideration.

8.121 Comming back to the topic a sound fiscal and financial management implies how best the civic bodies have been able to exploit the potential of tax and non-tax revenue sources allocated to them and the degree to which their efforts have been directed to broaden and deepen their own revenue through widening of their tax base and also how far they have been able to provide core civic services to the best satisfaction of the citizens. They should not only be able to exploit their revenue but also to recover at least a part of the cost for operation and maintenance of services provided by them. Sound financial management, inter alia, involves proper maintenance of financial statistics. How far they have been able to contain avoidable and infructuous expenditure through outsourcing and Public Private Partnership model and how far transparency and accountability has been maintained in all financial transactions will show the extent of their operational soundness.

Internal Revenue Mobilisation

8.122 In the matter of internal revenue mobilization property tax, by and large, is the main source of revenue for the ULBs. In this context, a study on municipal best practices organized by the Thirteenth Finance Commission emphasized five best practices for better realization of revenue from property tax. These are (a) enumeration of properties in the municipal tax register; (b) the collection rate; (c) the assessment and valuation system; (d) the extent of exemption and the (e) the level of tax rate. Based on a sample survey the study observed that property tax constitutes 23 percent of total municipal revenue and 28.5 percent of own source revenue. The percentage of assessed properties actually paying tax is 63 percent, worse still the collection efficiency is only at 37 percent of demand. Further, the ratio of property tax collection to GDP is only 0.24 percent for the sampled civic bodies. In contrast, this ratio is 0.60 percent in the developing countries; 1.04 percent for all countries and 2.12 percent in OECD countries.

8.123 It is evident that ULBs in Assam have, by and large, failed to exploit the full potential of this major source of revenue allocated to them. Absence of a formal count of properties in the municipal tax register appears to be the major handicap in exploiting the full potential of property tax. In case of GMC the percentage of assessed properties actually paying taxes is around 60 while it is far less in case of other ULBs. During 2008-09, property tax revenue constituted nearly 57 percent of own revenue of GMC marking an improvement from 48 percent in 2005-06. The demand-collection ratio has substantially improved to 81 percent in 2008-09 from 46 percent in 2005-06. In per capita terms the collection of property tax by GMC registered an increase to Rs.218 in 2008-09 from Rs.135 in 2005-06. GMC's per capita yield of Rs.218 is even less than the per capita yield of Rs.486 in case of the sampled civic bodies in the country. Another disquieting feature of GMC's property tax collection is its poor tax-GSDP ratio which hovers round 0.02 percent. It is abysmally low compared to 0.24 percent of the sampled municipal corporations within the country. As a matter of fact, the performance profile of GMC leaves no room for complacency. There is plenty of scope to augment revenue from property tax through enlargement of coverage by bringing in properties hitherto remained unassessed, increasing demand-collection ratio, reducing undeserving exemption and replacing the outmoded valuation system. Augmentation of revenue is possible even without raising tax rate through broadening tax base, improving collection efficiency, detecting tax evasion and imposing penal clauses.

8.124 The track record of other ULBs taken together in the matter of property tax collection is rather dismal. During 2008-09, property tax constituted a megre 18 percent of their own revenue which is even lower than 20 percent recorded in 2005-06. In per capita terms it registered a marginal increase to Rs.30 in 2008-09 from Rs.26 in 2005-06. Segregated data on demand-collection ratio is not available for property tax. Apparently, the gap between demand and collection is likely to be yawning. Reassessment of property tax is overdue in respect of most of the ULBs for decades. It is one of the most formidable obstacles in augmenting revenue from this source. There is tremendous scope of augmenting revenue from property tax merely by improving collection efficiency and reducing demand-collection gap and an all out effort is needed in that direction.

8.125 Apart from property tax, other prolific sources of revenue for the ULBs are tax on non-motorised vehicles, advertisement tax, trade licence fees markets fees etc. However, fees or user charges depend mainly on delivery of services. Because service delivery by ULBs is negligible the corresponding income therefrom is also nominal. GMC collected total revenue of Rs.30.78 crores during 2008-09 from its own tax and non-tax sources. In per capita terms the collection is Rs.380. It shows a significant improvement from Rs.283 in 2005-06. Nevertheless, as a percentage of GSDP it registered a marginal decline during this period.

8.126 The ULBs, other than GMC, collected a total amount of Rs.31.77 crores from tax and non-tax sources allocated to them during 2008-09 compared to Rs.24.43 crores during 2005-06. In per capita terms it registered an increase to Rs.167 in 2008-09 from Rs.127 in 2005-06. However, like that of GMC there is a slight decline as a percentage of GSDP. This highlight the need to exploit fully the potential of tax and non-tax sources allocated to them through widening tax base and improving collection efficiency.

Expenditure Management

8.127 In the matters of expenditure management the performance of ULBs including that of GMC is far from satisfactory. The total revenue expenditure of GMC during 2008-09 amounted to Rs.58.38 crores compared to Rs.35.13 crores in 2005-06. It is a hike of 60 percent within a spam of three years. The major component of revenue expenditure amounting to Rs.38.87 crores represents salary and wages and accounted for about 66 percent of the total expenditure. Added to it the establishment cost of Rs.8.49 crores, nearly 81 percent of total expenditure was spent on salary and establishment. This leaves barely 19 percent for civic functions. In the wake of salary hike consequent upon switching over to the revised scales of pay as per ROP Rules, 2010, this ratio between salary and service delivery expenditure will be further distorted. During the year their total revenue collection from own sources was Rs.30.78 crores which covered merely 53 percent of total expenditure. This points to the need for expenditure compression as well as revenue augmentation. Feasibility of pruning expenditure through out sourcing and Public Private Partnership (PPP) model is required to be explored. It is reported that GMC experimented with PPP model in respect of solid waste disposal. It is reported to be working more or less satisfactorily though at times public perception differs. Similar ventures may be made in respect of other core civic services as well.

8.128 In case of other ULBs also expenditure management hardly shows any rational approach. For instance, their total revenue expenditure over the years far out stripped their own revenue making them perennially dependent on outside support. Obviously, salary and establishment cost constitute the major component of revenue expenditure. A large number of ULBs, particularly the financially weak and newly constituted ones, are still grossly under-staffed. As soon as these ULBs will be properly staffed, the existing ratio between salary and civic functions expenditure will get distorted further. As of now, there is no instance of expenditure compression by the ULBs through out sourcing or otherwise. It is time the ULBs diligently pursue the agenda of prunning expenditure and augmenting own revenue. That there is abundant scope for revenue augmentation is evident from the Report of the Principal Accountant General (Audit), Assam. The report observed that in case of seven ULBs test audited by them in 2008-09, the outstanding amount of holding tax is about Rs.8 crores in a single year. It is just a tip of the iceberg and gives a fair indication of the probable size of outstanding taxes that may emerge in totality.

Transparency & Accountability

8.129 Another important aspect of fiscal and financial consolidation is maintenance of overall transparency and accountability. Accounting and auditing are the cornerstone in upkeeping transparency and accountability. Accounts are required to be maintained in the format prescribed by the CAG and adopted by the State Government. However, maintenance of accounts in the prescribed format is rarely being complied with. Further, it is essential to have approved budget documents for the purpose of proper maintenance of accounts. As observed by the Principal AG (Audit) most of the ULBs test audited by them have not prepared realistic budget estimates showing details of probable receipts and expenditure. Some of the ULBs incurred expenditure irregularly without relevant budget provision. Internal audit provides vital input for conduct of formal audit. It is observed by the Principal AG (Audit) that there is no system of internal auditing in the ULBs of the State and it needs to be put in place immediately. Another important observation of the Principal AG is that there is poor response and delay in furnishing replies to audit observations by the concerned ULBs leading to accumulation of outstanding objections. ULBs are also required to maintain a database of finances as per format prescribed by the CAG. This important aspect is not complied with by the ULBs. Non compliance of the vital issues concerning accounting and auditing has diluted transparency and accountability to a considerable extent. Maintenance of accounts, regular audit of accounts and creation of a financial database may be accorded top priority in the agenda of ULBs.

Additional Resource Mobilisation

8.130 The perennial mismatch between revenue and expenditure which ails the ULBs is an area that came for a focussed attention from the Commission. The ULBs must make serious efforts to raise the revenue from the sources which are in their power. There are a number of untapped sources which have not been exploited. Rates of taxes fixed several years ago are not revised. Poor quality of services only strengthens people's antipathy to pay anything extra. The ULBs will have to come out of this morass and break the vicious circle.

8.131 The quality of the services must have to be improved if the ULBs hope to make upward revision of user charges at least to meet the maintenance expenditure. It is also true that the acute shortage of fund seriously affects the performance of the local bodies in providing the core services-drinking water, sewerage, solid waste management and street lighting at acceptable level of services. Even if one admits the need for a grater transfer of resources to the local bodies, it must be emphasised that these bodies must exert themselves to effect better tax collection and to collect revenue which is in their own power and jurisdiction.

8.132 The deplorable state of finances of the urban civic bodies as discussed above emphasizes the need for own revenue augmentation through Additional Resource Mobilisation (ARM) from existing sources. In this regard the Second and Third SFCs of Assam put forward valuable suggestions which unfortunately remained in paper.

However, the blame for non-compliance cannot be squarely thrust on ULBs alone, because even to-day they lack proper administrative and legal framework to enhance their institutional capacity in performing entrusted functions. Leaving aside the organizational shortcommings, the other handicaps in the way of resource mobilization are the narrow base and lower yield of local taxes; limitations imposed by law in rate structure; poor quantity and quality of civic services; resistance from public to pay higher taxes and above all the apathy of elected representatives to impose taxes. Once the quality of service improves the people can be expected to be less reluctant to pay the legitimate tax. Hence, while formulating a rational tax regime what is also needed is a primary concern for a positive improvement of the level and quality of services to make them acceptable to the public at large.

8.133 Tax on property/holding is the principal source of revenue of the ULBs including GMC. Apparently, this vital source has not been tapped fully so far. There is tremendous scope to augment revenue from this source even without any upward revision of the rate structure. As of now the percentage of assessed properties actually paying tax is unduly low. At the first instance it is imperative to take a formal count of all properties in the municipal tax register so as to increase the present low ratio of coverage. For an accurate enumeration of properties a GIS system for mapping of properties may be instituted in Guwahati and the towns with a population of more than one lakh.

8.134 Second, the present demand-collection ratio is grossly unfair. It points to the need for improving collection efficiency so that collection is stepped up at least to 85 percent of total demand.

8.135 Third, the extent of exemption and evasion of taxes has a direct bearing on yield from property tax. The Municipal Act provides exemption clause for individual hardship apart from religious and charitable purposes. It leaves enough room for mis-use of such powers. Utmost circumspection is needed in the matter of granting exemption or concession. Tax evasion and delinquency should be identified and penal clauses enforced.

8.136 More importantly, collection of property tax revenues depend to a great extent upon the system of assessment and valuation of properties. As observed by the Second and the Third SFCs, it is necessary to make a shift from the current Annual Rateable Value (ARV) method to the Unit Area Method (UAM). This will enable increase in rates even without reassessing the properties. In this context setting up of a Central Valuation Board, on the lines of the West Bengal Central Valuation Board may be considered to standardize property valuation as suggested by the Thirteenth Finance Commission.

8.137 In regard to assessment of property tax, the Municipal Act provides for quinquennial revision of holding tax. But in actual practice this important provision was hardly adhered to by a large number of civic bodies. For instance, out of 22 municipalities scruitinized by us reassessment is overdue for almost two decades in respect of 19 municipalities. Even the track record of GMC in this regard is miserable. The first general assessment of property tax was done by them in 1979-80. This was followed by a feeble attempt in 2000-01 after a lapse of 21 years. But due to stiff public resistence it was partially set aside and made appl icable to new construction only. With a view to increasing collection, periodic revi sion of assessment every five years should be strictly enforced.

8.138 Apart from the inherent shortcomings, certain other than exogenous and prickly issues exacerbate the problem. Articles 285 and 289 of the Constitution exempt all Central and State Governments properties respectively from the purview of taxation. However, the Eleventh Finance Commission suggested that instead of property tax, service charges may be levied on Central Government properties. It has come to our notice that in West Bengal some of the Central Gove rnment offices have declined to pay even service charges citing a judgement of the Hon'ble Supreme Court. If it is a fact, the matter may be taken up with the Central Government. Anyway, there is no restriction on levy of tax on the properties of Cen tral and State PSUs which may be taken up by the municipalities earnestly.

8.139 In the city of Guwahati, building permission is concurrently granted by GMC and GMDA. In respect of other towns this power is share d between Municipalities and Development Authorities. Due to the presence of dua l authority in the matter of granting building permission evasion of tax and vio lation of norms are likely to be encouraged. The earlier SFCs recommended dissolutio n of the system of dual authority in favour of the elected bodies and we re iterate the same.

8.140 The under-valuation of urban land adversely a ffect the yield from property tax. In the background of spiralling land price, the offici al land value has failed to keep pace with the increasing market price of land. The valua tion of urban land in different urban areas may be done realistically keeping in vi ew the prevailing market price. The land value fixed may be reviewed periodically s o that it can be truely reflected in determination of property/holding tax.

8.141 GMC and other municipalities should be able t o increase their revenue substantially from trade licence fees provided periodic revision of rates are strictly enforced in accordance with the provision of relevant rules. Th ere is tremendous scope of expanding the tax net under trade licence fee throu gh inclusion of emerging trades. In the wake of globalization new trade centres like shopping malls, business hubs, multiplexes, chain restaurants and eateries etc are rapidly coming up. All such emerging trades should be included in the schedule of taxes under Trade Licence Fees through appropriate amendment of the relevant Act and Rules.

8.142 Municipal markets that are being settled annu ally by inviting tenders fixing minimum value should take utmost care in determining the mi nimum value. A realistic assessment of the minimum value need be made each year for each market having regard to the size, number of shops, volume of busi ness transacted and other relevant issues. This will enable suitable step up of revenue from this source.

8.143 In Guwahati and elsewhere in every big and small towns, unauthorized markets are growing up haphazardly with alarming rapidity. The unauthorized vendors in such markets sell their wares by setting up shops wherever possible encroaching public street and footpath. Apart from stationary vendors mobile vendors freely move about in crowded market places causing a lot of public inconveniences. Apart from imposing penalty on unauthorized vendors, civic bodies should take firm step to develop municipal markets to accommodate the unauthorized vendors within the premises. The Commission has recommended fund to improve and expand the existing municipal markets. It will not only augment municipal revenue but help in keeping the city and towns clean and tidy.

8.144 Improvement in the system of tax collection through simplification of procedure will make the tax machinery more tax payer friendly. In this regard measures like payment of tax through post office, bank, computerization of billing and collection, rebate for timely payment and penalty clauses for delay etc may be introduced.

8.145 The wide disparity between demand and collection of revenue by the ULBs as shown in Table- 2 of this Chapter clearly indicates that there is tremendous scope to mop up substantial amount from arrear collection. ULBs, in general, should launch a vigorous drive for collection of revenue lying in arrear.

8.146 Eventually, the local bodies must recognize the need to broaden and deeper their own revenue sources through widening the tax base and improving collection efficiency, so that their perennial dependence on resource transfer from the Centre and the State is gradually reduced. ULBs may keep in mind that fiscal transfer from higher level of government is meant to supplement and not substitute, their own resources. Hence, a sustained effort is necessary to raise their own resources.